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A Compass for the Crisis: Nonprofit Decision Making in the COVID-19 Pandemic

COVID 19 | *decision making*

Summary

The crisis has forced leaders to make challenging decisions quickly—and more critical choices loom on the horizon. A clear set of decision-making principles can help ensure that nonprofits don't lose their way as they navigate tough tradeoffs.

If you run a nonprofit today, you face an unprecedented number of difficult choices about how to survive and respond effectively to the COVID-19 crisis. Many nonprofits across the country fear for their futures. An [early April survey of 350 New Jersey nonprofits](#) revealed that 78 percent had canceled programs and/or events, 17 percent had suspended all operations temporarily, and 22 percent had already laid off or cut staff. Surveys of nonprofits from [Austin, Texas](#), [Massachusetts](#), and [San Diego, California](#) share similar findings. The scramble is on to avoid what [SeaChange Capital Partners](#), a nonprofit financing firm, warns could intensify into “an extinction-level event” for nonprofits.

What we've learned through 20 years of experience advising nonprofits is that **establishing a clear set of decision-making principles can help leaders steer their organizations through a crisis and beyond**. Using such values-based principles is particularly helpful when facing the need to quickly make decisions that involve difficult tradeoffs.

Explicit principles to guide your decision making can help by:

- **Enabling your leadership team and board to make faster and more consistent decisions:** Without shared criteria, conversations about tradeoffs are likely to be longer and the resulting decisions more varied because individuals might assume different priorities.
- **Ensuring equity-related considerations receive proper attention:** Stress can lead us to narrow our focus and act in ways that reinforce implicit biases. But guiding principles can anchor us to the commitments we've made and that need to be honored—particularly when times are tough.
- **Allowing you to convey the reasoning behind key decisions in a way that instills confidence and trust:** Make no mistake that your staff, board, and stakeholders will scrutinize every major decision. A lack of clear, consistent communication in uncertain times can breed dissatisfaction and mistrust within an organization.

For more COVID-19 resources, see our [Nonprofits, Funders, and the Coronavirus \(COVID-19\) Crisis special collection](#).

The principles you develop will reflect your organization's unique mission, values, and circumstances. Here's what we mean, looking at four different categories of principles that come up often among nonprofit leaders:

Principles to Protect the Mission: Depending on your organization's programmatic focus, demand may be rising significantly, as workforce-development programs have experienced, or slowing down dramatically, as many fee-for-service education providers are going through. Whatever the situation, you're likely facing a wave of decisions about evolving and adapting your offerings.

Decision-making principles that can help you protect your organization's mission in this context might include statements such as:

- *We will find ways to safely and effectively continue our core programs;* or

- *We will prioritize activities where there is greatest need in the communities we serve.*

Consider how these two different principles could lead to different decisions. The first might lead you to focus on the beneficiaries at the center of your strategy, even if that requires finding new ways to do it. Organizations ranging from child welfare organizations to education servicers to mental health providers have switched to online service provision, for example, a step that many weren't even considering six months ago.

However, if you adopted the second principle, you might find yourselves shifting your mix of activities. For example, a human services agency might decide to reallocate resources toward its food bank, because that's what its community needs most right now. Some of its other programs, such as youth services, may be harder to deliver and might pause as the organization considers whether and how to operate, with most kids homebound.

Principles to Put People First: For most nonprofits, staff salaries represent the largest outlay and, by default, become the go-to budget cut. But talent is also typically the organization's greatest asset, and behind the payroll line are people you care deeply about—your colleagues and friends, and their families. Government payroll supports, if you are lucky enough to get them, might provide a temporary lifeline. But they won't be enough for most. That's why nonprofits might look to guiding principles that address their people-related decisions.

Some statements might include:

- *We will prioritize the well-being of our people through the crisis; or*
- *We are invested in the long-term careers of our team members.*

If you adopt the first principle, you would likely consider reducing salaries before reducing headcount. We know of one nonprofit, for example, that opted to cut executive salaries drastically while keeping all other salaries intact for the moment. Other nonprofits may have no choice but to trim headcount, but even still, nonprofit leaders have options. Furloughs as opposed to layoffs might help former employees retain their healthcare, for example.

On the other hand, following the second principle might lead you to focus on ensuring staff are in roles that are likely to be in demand in the future. One organization invested in retraining staff from programs it had had to scale back, so it could reassign them to programs where it anticipated future growth. That might still mean laying off some staff, regrettably. But staying true to the principle might mean supporting those former team members through the transition and seeking roles for them with peer organizations facing surging demand.

Principles to Elevate Equity: If equity considerations aren't explicit in decisions about programs and staff, they should be.

Here, some principles might include:

- *We will use equity as a lens for all decision making related to the people we employ; or*
- *We will prioritize people of color when weighing programmatic or operational shifts.*

In the first case, you might start by considering the income disparities across your organization's employees. A 20 percent pay cut may be inconvenient for your management team members, but it could have serious consequences for your front-line staff. So you might decide that management will take on a larger share of any financial hits—as the afore-mentioned nonprofit that cut executive salaries drastically did.

The second principle reflects the **inequitable impact** of the COVID-19 pandemic on people and communities of color. People of color are disproportionately likely to be in low-paying or hourly-wage jobs without paid sick leave or viable work-from-home options. They are also more likely to have limited access to such resources as affordable, quality healthcare and broadband. In the face of a need to cut programming, embracing this principle might lead you to prioritize maintaining your services that are disproportionately reaching people and communities of color. It might also lead you to take a "**curb-cut effect approach**" to any program adaptations, designing first for the needs of beneficiaries who are people of color (e.g., if broadband access is a limitation, ensuring program models are not reliant on it), knowing that other target populations will also benefit from the change.

Principles to Focus on Financial Resilience: "Financial resilience" refers not only to surviving the crisis, but also to bouncing back as the crisis recedes. You will want to retain some ability to deliver on your mission in an uncertain future environment. Across the board cuts to an already lean budget, for example, can make a terrible situation fatal if those cuts fail to preserve the capabilities critical to the organization's longer-term survival.

Some principles here might include:

- *We will aggressively protect revenue streams before cutting critical expenses; or*
- *We will preserve the long-term financial health of our organization.*

At most nonprofits there's not a lot of excess to be cut in good times, let alone now. The first principle points to the equal importance of building the top line: revenue. Focusing on that principle might lead you to invest significant senior time in efforts to deepen existing relationships with current funders, for example, or to prioritize activities sustained by multiyear contracts or long-term funder relationships. It's a good time to contact funders and make the case for them to waive restrictions and step up with additional support: nearly **700 foundations** have pledged to temporarily provide general operating support and help community organizations in areas where COVID-19 has hit hardest. Or the principle might lead you to explore whether COVID-19 might open up new funding relationships or opportunities for fee-for-service program innovations.

On the other hand, the second priority points to the need to come through the immediate crisis not only with core staff and programs intact, but also with the financial flexibility to explore new options. Maintaining a few months of cash reserves is one way to accomplish that. That might not be possible for everyone:

national research shows that most nonprofits function with fewer than three months of operating reserves. But you will still face investment needs down the road, so not fully depleting the rainy day fund might still be a good idea. (Yes, we know it's raining pretty hard during this COVID-19 storm.)

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To be sure, we've stylized our examples of principles and the decisions that might emerge from each. In real life, a set of principles would be more specific to circumstances, tuned to the specifics of your mission, values, programs, beneficiaries, and communities. Every organization will need to identify the priorities that make sense for them.

And the decisions won't come quite as easily as we've made them out. There will be difficult tradeoffs to make among the principles. Indeed, some principles may feel like they're in direct opposition: how can we prioritize the well-being of our people—which means continued spending on payroll and benefits—while preserving the long-term financial health of our organization—which means conserving cash? In truth, it takes a balancing act of tightrope proportions. You may, for instance, commit to sustaining full payroll and benefits in the short term, and also to reassessing that decision if cash reserves drop below your threshold level. Clarifying the principles at least helps you to confront the dilemmas that you will inevitably face knowing that your priorities and your values will be given due consideration.

Just about every nonprofit has been focused on finding a safe harbor to weather the COVID-19 economic storm. Indeed, many important and challenging decisions have already been made and organizations will face many more in the weeks and months ahead. Now is a good time to align on principles for decision making, if you haven't already. That's not to say your principles, once defined, are written in stone. They'll need to evolve as the recovery—and there will be a recovery—unfolds. We hope you can use this framework as a guide to develop your own compass in the storm.



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